

CITY OF TAMA, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2020

CITY OF TAMA, IOWA  
Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 5
Governmental Funds Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 7
Proprietary Funds Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 9
Notes to Financial Statements	10
OTHER INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	25
Notes to Other Information - Budgetary Reporting	26
Schedule of the City's Proportionate Share of the Net Pension Liability	27
Schedule of City Contributions	28
Notes to Other Information - Pension Liability	29
SUPPLEMENTARY INFORMATION:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 30
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	2 32
Schedule of Indebtedness	3 33
Bond and Note Maturities	4 34
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	5 35
Schedule of Sewer Service Charges	6 36
Schedule of Insurance in Force	7 37
Schedule of Legal Debt Margin	8 38
COMMENTS AND RECOMMENDATIONS:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	39
Schedule of Findings and Responses	41

CITY OF TAMA, IOWA  
OFFICIALS  
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2020)		
Mike Carnahan	Mayor	January, 2020
Aaron Haughey	Council Member	January, 2020
Kenny McAdoo	Council Member	January, 2020
Robert Tyynismaa	Council Member	January, 2020
Emily Babinat	Council Member	January, 2022
Doug Ray (Resigned December, 2019)	Council Member	January, 2022
Alyssa Devig	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed
(After January, 2020)		
Doug Ray	Mayor	January, 2024
Aaron Haughey	Council Member	January, 2024
Anne Michael	Council Member	January, 2024
Larry Thomas	Council Member	January, 2024
Emily Babinat	Council Member	January, 2022
Matthew Beatty (Appointed January, 2020)	Council Member	January, 2022
Alyssa Devig	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369  
ATLANTIC, IOWA 50022-0369  
(712) 243-1800  
FAX (712) 243-1265  
CPA@GBKCO.COM

MARK D. KYHNN  
KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and  
Members of the City Council

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

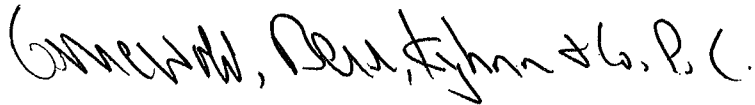
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 25 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and  
Members of the City Council

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2020 on our consideration of the City of Tama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Tama's internal control over financial reporting and compliance.

 Kenneth A. Ryan & Co., P.C.

Atlantic, Iowa  
November 20, 2020

CITY OF TAMA, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,069,824	\$ 282,035	\$ 211,835
Public works	614,906	51,101	369,805
Health and social services	4,898	--	--
Culture and recreation	307,771	8,624	26,372
Community and economic development	297,794	275	133,704
General government	170,874	63,522	52,950
Debt service	410,578	--	--
Capital projects	170,408	--	--
Total governmental activities	<u>3,047,053</u>	<u>405,557</u>	<u>794,666</u>
Business type activities:			
Water	314,330	480,083	--
Sewer	315,589	489,628	--
Nonmajor	108,517	46,376	--
Total business type activities	<u>738,436</u>	<u>1,016,087</u>	<u>--</u>
Total	<u>\$ 3,785,489</u>	<u>\$ 1,421,644</u>	<u>\$ 794,666</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$( 575,954)	\$ --	\$( 575,954)
--	( 194,000)	--	( 194,000)
--	( 4,898)	--	( 4,898)
--	( 272,775)	--	( 272,775)
--	( 163,815)	--	( 163,815)
--	( 54,402)	--	( 54,402)
--	( 410,578)	--	( 410,578)
<u>18,224</u>	<u>( 152,184)</u>	<u>--</u>	<u>( 152,184)</u>
<u>18,224</u>	<u>( 1,828,606)</u>	<u>--</u>	<u>( 1,828,606)</u>
--	--	165,753	165,753
--	--	174,039	174,039
<u>--</u>	<u>--</u>	<u>( 62,141)</u>	<u>( 62,141)</u>
<u>--</u>	<u>--</u>	<u>277,651</u>	<u>277,651</u>
<u>\$ 18,224</u>	<u>( 1,828,606)</u>	<u>277,651</u>	<u>( 1,550,955)</u>
	836,584	--	836,584
	278,497	--	278,497
	172,763	--	172,763
	193,703	--	193,703
	78,275	--	78,275
	44,936	11,962	56,898
	44,532	4,504	49,036
	( 583)	583	--
	<u>1,648,707</u>	<u>17,049</u>	<u>1,665,756</u>
	( 179,899)	294,700	114,801
	<u>3,047,670</u>	<u>1,551,874</u>	<u>4,599,544</u>
	<u>\$ 2,867,771</u>	<u>\$ 1,846,574</u>	<u>\$ 4,714,345</u>



CITY OF TAMA, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2020

		<u>Program Receipts</u>
		Operating Grants, Contributions, and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Streets		
Employee benefits		
Capital projects		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 61,643	\$ --	\$ 61,643
	24,484	105,246	129,730
	375,371	--	375,371
	277,859	--	277,859
	1,329,496	--	1,329,496
	554,495	--	554,495
	<u>244,423</u>	<u>1,741,328</u>	<u>1,985,751</u>
	<u>\$ 2,867,771</u>	<u>\$ 1,846,574</u>	<u>\$ 4,714,345</u>

CITY OF TAMA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Road</u> <u>Use Tax</u>	<u>Employee</u> <u>Benefits</u>
Receipts:			
Property tax	\$ 472,564	\$ --	\$ 302,619
Tax increment financing	--	--	--
Other city tax	28,069	--	18,029
Licenses and permits	59,756	--	--
Use of money and property	39,134	--	1,917
Intergovernmental	284,125	369,805	22,748
Charges for service	330,012	--	--
Miscellaneous	78,255	--	1,008
Total receipts	<u>1,291,915</u>	<u>369,805</u>	<u>346,321</u>
Disbursements:			
Operating:			
Public safety	823,164	--	186,921
Public works	195,763	309,025	110,118
Health and social services	4,898	--	--
Culture and recreation	236,273	--	44,126
Community and economic development	156,969	--	--
General government	127,765	--	33,980
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>1,544,832</u>	<u>309,025</u>	<u>375,145</u>
Excess (deficiency) of receipts over (under) disbursements	( 252,917)	60,780	( 28,824)
Other financing sources (uses):			
Transfers in	254,979	--	--
Transfers out	( 9,583)	--	--
Total other financing sources (uses)	<u>245,396</u>	<u>--</u>	<u>--</u>
Change in cash balances	( 7,521)	60,780	( 28,824)
Cash balances beginning of year	<u>251,944</u>	<u>314,591</u>	<u>306,683</u>
Cash balances end of year	<u>\$ 244,423</u>	<u>\$ 375,371</u>	<u>\$ 277,859</u>

(continued next page)

<u>Special Revenue Trust &amp; Agency</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 278,497	\$ --	\$ 14,443	\$ 1,068,123
--	--	--	172,763	172,763
--	--	--	194,563	240,661
--	--	--	--	59,756
1,742	--	23,918	774	67,485
14,344	19,027	--	1,085	711,134
--	--	--	--	330,012
138,180	--	--	360	217,803
<u>154,266</u>	<u>297,524</u>	<u>23,918</u>	<u>383,988</u>	<u>2,867,737</u>
59,739	--	--	--	1,069,824
--	--	--	--	614,906
--	--	--	--	4,898
26,610	--	--	762	307,771
--	--	--	140,825	297,794
9,129	--	--	--	170,874
--	410,578	--	--	410,578
--	--	170,408	--	170,408
<u>95,478</u>	<u>410,578</u>	<u>170,408</u>	<u>141,587</u>	<u>3,047,053</u>
58,788	( 113,054)	( 146,490)	242,401	( 179,316)
9,000	115,148	--	--	379,127
<u>--</u>	<u>--</u>	<u>( 166,185)</u>	<u>( 203,942)</u>	<u>( 379,710)</u>
<u>9,000</u>	<u>115,148</u>	<u>( 166,185)</u>	<u>( 203,942)</u>	<u>( 583)</u>
67,788	2,094	( 312,675)	38,459	( 179,899)
<u>224,061</u>	<u>22,390</u>	<u>1,642,171</u>	<u>285,830</u>	<u>3,047,670</u>
<u>\$ 291,849</u>	<u>\$ 24,484</u>	<u>\$ 1,329,496</u>	<u>\$ 324,289</u>	<u>\$ 2,867,771</u>

CITY OF TAMA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - Continued  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Special Revenue</u> <u>Road</u> <u>Use Tax</u>	<u>Employee</u> <u>Benefits</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Streets	--	375,371	--
Employee benefits	--	--	277,859
Capital projects	--	--	--
Other purposes	--	--	--
Unassigned	<u>244,423</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 244,423</u>	<u>\$ 375,371</u>	<u>\$ 277,859</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Trust &amp; Agency</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 61,643	\$ 61,643
--	24,484	--	--	24,484
--	--	--	--	375,371
--	--	--	--	277,859
--	--	1,329,496	--	1,329,496
291,849	--	--	262,646	554,495
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>244,423</u>
<u>\$ 291,849</u>	<u>\$ 24,484</u>	<u>\$ 1,329,496</u>	<u>\$ 324,289</u>	<u>\$ 2,867,771</u>

CITY OF TAMA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2020

	Enterprise	
	Water Fund	Sewer Fund
Operating Receipts:		
Charges for service	\$ 480,083	\$ 489,628
Total operating receipts	480,083	489,628
Operating Disbursements:		
Business type activities	314,330	315,589
Total operating disbursements	314,330	315,589
Excess of operating receipts over operating disbursements	165,753	174,039
Non-operating receipts (disbursements):		
Interest on investments	4,223	7,569
Miscellaneous	901	3,603
Debt service	--	--
Total non-operating receipts (disbursements), net	5,124	11,172
Excess (deficiency) of receipts over (under) disbursements	170,877	185,211
Other financing sources (uses):		
Transfers in	583	--
Transfers out	( 67,426)	( 107,965)
Total other financing sources (uses)	( 66,843)	( 107,965)
Change in cash balances	104,034	77,246
Cash balances beginning of year	395,861	600,772
Cash balances end of year	\$ 499,895	\$ 678,018
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$ --	\$ --
Unrestricted	499,895	678,018
Total cash basis fund balances	\$ 499,895	\$ 678,018

The accompanying notes are an integral part of these statements.

	Enterprise	
<u>Sewer Replacement</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 46,376	\$ 1,016,087
--	46,376	1,016,087
--	--	629,919
--	--	629,919
--	46,376	386,168
--	170	11,962
--	--	4,504
--	( 108,517)	( 108,517)
--	( 108,347)	( 92,051)
--	( 61,971)	294,117
25,000	150,391	175,974
--	--	( 175,391)
25,000	150,391	583
25,000	88,420	294,700
261,223	294,018	1,551,874
\$ 286,223	\$ 382,438	\$ 1,846,574
\$ --	\$ 105,246	\$ 105,246
286,223	277,192	1,741,328
\$ 286,223	\$ 382,438	\$ 1,846,574



CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tama, Iowa is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tama has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported and budgeted as part of the City as a permanent fund.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a permanent fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds or nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property tax and other receipts to be used for the payment of payroll taxes and other employee benefits.

The Trust & Agency Fund is used to account for donations and other receipts to be used for miscellaneous department expenditures.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sewer Replacement Fund accounts for the capital projects related to the City's sewer replacement improvements.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

At June 30, 2020, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
United States Savings Bonds Series HH	\$ 9,500	\$ 9,500	Nov. 2020-Oct. 2021

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the U.S. Savings Bonds Series HH securities was determined using quoted market prices. (Level 1 inputs)

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation					
Bonds/Notes	\$ 2,218,757	\$ --	\$ 355,073	\$ 1,863,684	\$ 365,897
Governmental Activities					
Total	\$ 2,218,757	\$ --	\$ 355,073	\$ 1,863,684	\$ 365,897
Business Type Activities:					
Water Revenue Bonds	\$ 475,000	\$ --	\$ 37,000	\$ 438,000	\$ 38,000
Sewer Revenue Bonds	754,000	--	41,000	713,000	41,000
Business Type Activities					
Total	\$ 1,229,000	\$ --	\$ 78,000	\$ 1,151,000	\$ 79,000

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		State Revolving Fund Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 365,897	\$ 46,800	\$ 79,000	\$ 25,617	\$ 444,897	\$ 72,417
2022	231,732	38,030	81,000	23,760	312,732	61,790
2023	232,588	32,484	83,000	21,855	315,588	54,339
2024	233,467	26,716	86,000	19,903	319,467	46,619
2025	100,000	20,720	88,000	17,872	188,000	38,592
2026 - 2030	500,000	64,750	473,000	57,093	973,000	121,843
2031 - 2035	200,000	7,770	261,000	13,912	461,000	21,682
	<u>\$ 1,863,684</u>	<u>\$ 237,270</u>	<u>\$1,151,000</u>	<u>\$ 180,012</u>	<u>\$ 3,014,684</u>	<u>\$ 417,282</u>

General Obligation Bonds/Notes

On July 1, 2012, the City issued \$975,000 of general obligation bonds with interest rates ranging from 0.70% to 2.50% per annum. The bonds were issued for refunding prior general obligation bonds. During the year ended June 30, 2020, the City paid \$100,000 of principal and \$10,350 of interest on the bonds. The bonds mature in fiscal year 2024.

On December 1, 2014, the City issued \$275,000 of general obligation fire truck loan notes with an interest rate of 2.70%. The notes were issued for the purchase of a fire truck. During the year ended June 30, 2020, the City paid \$30,073 of principal and \$4,298 of interest on the bonds. The bonds mature in fiscal year 2024.

On September 7, 2017, the City issued \$1,910,000 of general obligation corporate purpose bonds with an interest rate of 2.59%. The bonds were issued for refunding prior general obligation bonds and for street projects. During the year ended June 30, 2020, the City paid \$225,000 of principal and \$40,355 of interest on the bonds. The bonds mature in fiscal year 2032.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$836,000 of water revenue bonds issued in December 2009. Proceeds from the bonds provided financing for the repair and improvement of the water system. The bonds carry an interest rate of 3.00% and are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require approximately 31% of the net receipts. The total principal and interest remaining to be paid on the bonds is \$513,660. For the current year, principal and interest paid and total customer net receipts were \$51,250 and \$165,753, respectively.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,037,000 of sewer revenue bonds issued in October 2015. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds carry an interest rate of 1.75% and are payable solely from sewer customer net receipts and are payable through 2035. Annual principal and interest payments on the notes are expected to require approximately 31% of net receipts. The total principal and interest remaining to be paid on the notes is \$817,352. For the current year, principal and interest paid and total customer net receipts were \$54,195 and \$174,039, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly deposits and transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.



CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$85,692.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$333,862 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.005766%, which was a decrease of 0.000878% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$114,907, \$104,855 and \$131,578 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 871,567</u>	<u>\$ 333,862</u>	<u>\$ ( 116,810)</u>

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 4 - PENSION PLAN - Continued

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

NOTE 5 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The City's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

The City's fiduciary responsibility is limited to due care in selecting contractors to administer the Plan. These contractors are responsible for withholdings and W-2s when the participants receive payments. The contractors are also required to submit an annual report to the City. The City is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant. The Plan assets are not included in the financial statements since the City does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2020, primarily relating to the General Fund is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 27,100
Comp time	<u>9,400</u>
	<u>\$ 36,500</u>

The liability has been computed based on rates of pay as of June 30, 2020.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Emergency	16,067
	Tax Increment Financing	23,025
	Capital Projects	<u>161,887</u>
		<u>254,979</u>
Special Revenue:		
Trust & Agency	General	9,000
Debt Service	Special Revenue:	
	Local Option Sales Tax	110,850
	Capital Projects	<u>4,298</u>
		<u>115,148</u>
Enterprise:		
Water	General	583
Enterprise:	Enterprise:	
Water Revenue Bond	Water	53,626
Enterprise:	Enterprise:	
Sewer Rehabilitation	Sewer	25,000
Enterprise:	Enterprise:	
Sewer Revenue Bond	Sewer	57,965
Enterprise:	Enterprise:	
Sewer Replacement	Sewer	25,000
Enterprise:	Enterprise:	
Water Meter	Water	<u>13,800</u>
		<u>\$ 555,101</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 8 - RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$32,995.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 8 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and property coverage and automobile liability in the amount of \$500,000, \$11,161,900, and \$1,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$265,005 and plan members eligible for benefits contributed \$ - 0 - to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>16</u>
Total	<u><u>16</u></u>

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

NOTE 10 - COMMITMENTS AND CONTINGENCY

Capital Commitments

The City has committed funds for street projects with an estimated cost of \$200,000. The street projects will be paid from existing funds.

Subsequent Events

The City has evaluated all subsequent events through November 20, 2020, the date the financial statements were available to be issued.

NOTE 11 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$2,068 during the year ended June 30, 2020.

NOTE 12 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, \$58,471 of property tax was diverted from the City under the urban renewal and economic development projects.

\* \* \*

## OTHER INFORMATION



CITY OF TAMA, IOWA  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL  
FUNDS AND PROPRIETRY FUNDS  
OTHER INFORMATION

Year ended June 30, 2020

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 1,068,123	\$ --	\$ 1,068,123
Tax increment financing	172,763	--	172,763
Other city tax	240,661	--	240,661
Licenses and permits	59,756	--	59,756
Use of money and property	67,485	11,962	79,447
Intergovernmental	711,134	--	711,134
Charges for service	330,012	1,016,087	1,346,099
Special assessments	--	--	--
Miscellaneous	217,803	4,504	222,307
Total receipts	<u>2,867,737</u>	<u>1,032,553</u>	<u>3,900,290</u>
Disbursements:			
Public safety	1,069,824	--	1,069,824
Public works	614,906	--	614,906
Health and social services	4,898	--	4,898
Culture and recreation	307,771	--	307,771
Community and economic development	297,794	--	297,794
General government	170,874	--	170,874
Debt service	410,578	--	410,578
Capital projects	170,408	--	170,408
Business type activities	--	738,436	738,436
Total disbursements	<u>3,047,053</u>	<u>738,436</u>	<u>3,785,489</u>
Excess (deficiency) of receipts over (under) disbursements	( 179,316)	294,117	114,801
Other financing sources (uses), net	<u>( 583)</u>	<u>583</u>	<u>--</u>
Changes in fund balances	( 179,899)	294,700	114,801
Balances beginning of year	<u>3,047,670</u>	<u>1,551,874</u>	<u>4,599,544</u>
Balances end of year	<u>\$ 2,867,771</u>	<u>\$ 1,846,574</u>	<u>\$ 4,714,345</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$ 1,157,172	\$ 1,157,172	\$( 89,049)
210,302	210,302	( 37,539)
224,677	224,677	15,984
18,125	18,125	41,631
51,818	51,818	27,629
651,986	651,986	59,148
1,245,900	1,245,900	100,199
6,000	6,000	( 6,000)
112,073	159,150	63,157
<u>3,678,053</u>	<u>3,725,130</u>	<u>175,160</u>
994,347	1,153,347	83,523
658,263	674,263	59,357
10,500	10,500	5,602
344,255	344,255	36,484
311,500	311,500	13,706
185,354	241,654	70,780
411,127	421,127	10,549
214,750	363,750	193,342
910,370	916,870	178,434
<u>4,040,466</u>	<u>4,437,266</u>	<u>651,777</u>
( 362,413)	( 712,136)	826,937
--	--	--
( 362,413)	( 712,136)	826,937
<u>4,271,738</u>	<u>4,271,738</u>	<u>327,806</u>
<u>\$ 3,909,325</u>	<u>\$ 3,559,602</u>	<u>\$ 1,154,743</u>

CITY OF TAMA, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$396,800. The budget amendments are reflected in the final budgeted amounts.

See accompanying independent auditor's report.

CITY OF TAMA, IOWA  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST SIX YEARS\*

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.005766%	0.006644%
City's proportionate share of the net pension liability	\$ 334,000	\$ 420,000
City's covered payroll	\$ 897,000	\$ 826,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	37.24%	50.85%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.006614%	0.006563%	0.005439%	0.004474%
\$ 441,000	\$ 413,000	\$ 269,000	\$ 177,000
\$ 813,000	\$ 783,000	\$ 788,000	\$ 754,000
54.24%	52.75%	34.14%	23.47%
82.21%	81.82%	85.19%	87.61%

CITY OF TAMA, IOWA  
SCHEDULE OF CITY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
FOR THE LAST TEN YEARS

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 86,000	\$ 88,000	\$ 78,000	\$ 76,000
Contributions in relation to the statutorily required contribution	<u>( 86,000)</u>	<u>( 88,000)</u>	<u>( 78,000)</u>	<u>( 76,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 887,000	\$ 897,000	\$ 826,000	\$ 813,000
Contributions as a percentage of covered payroll	9.70%	9.92%	9.44%	9.35%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 73,000	\$ 75,000	\$ 71,000	\$ 67,000	\$ 63,000	\$ 46,000
<u>( 73,000)</u>	<u>( 75,000)</u>	<u>( 71,000)</u>	<u>( 67,000)</u>	<u>( 63,000)</u>	<u>( 46,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 783,000	\$ 788,000	\$ 754,000	\$ 710,000	\$ 707,000	\$ 540,000
9.32%	9.52%	9.42%	9.44%	8.91%	8.52%

CITY OF TAMA, IOWA  
NOTES TO OTHER INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

\* \* \*



## SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	Special Revenue		
	Local Option Sales Tax	Emergency	Tax Increment Financing
Receipts:			
Property tax	\$ --	\$ 14,443	\$ --
Tax increment financing	--	--	172,763
Other city tax	193,703	860	--
Use of money and property	--	--	--
Intergovernmental	--	1,085	--
Miscellaneous	--	--	--
Total receipts	<u>193,703</u>	<u>16,388</u>	<u>172,763</u>
Disbursements:			
Operating:			
Culture and recreation	--	--	--
Community and economic development	--	--	140,825
Total disbursements	<u>--</u>	<u>--</u>	<u>140,825</u>
Excess (deficiency) of receipts over (under) disbursements	193,703	16,388	31,938
Other financing sources (uses):			
Transfers out	<u>( 164,850)</u>	<u>( 16,067)</u>	<u>( 23,025)</u>
Total other financing sources (uses)	<u>( 164,850)</u>	<u>( 16,067)</u>	<u>( 23,025)</u>
Change in cash balances	28,853	321	8,913
Cash balances, beginning of year	<u>212,885</u>	<u>1,571</u>	<u>10,103</u>
Cash balances, end of year	<u>\$ 241,738</u>	<u>\$ 1,892</u>	<u>\$ 19,016</u>

(continued next page)

<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ --	\$ 14,443
--	172,763
--	194,563
774	774
--	1,085
360	360
<u>1,134</u>	<u>383,988</u>
762	762
--	140,825
<u>762</u>	<u>141,587</u>
372	242,401
--	( 203,942)
--	( 203,942)
372	38,459
<u>61,271</u>	<u>285,830</u>
<u>\$ 61,643</u>	<u>\$ 324,289</u>

CITY OF TAMA, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2020

	<u>Special Revenue</u>		
	<u>Local Option Sales Tax</u>	<u>Emergency</u>	<u>Tax Increment Financing</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for other purposes	<u>241,738</u>	<u>1,892</u>	<u>19,016</u>
Total cash basis fund balances	<u>\$ 241,738</u>	<u>\$ 1,892</u>	<u>\$ 19,016</u>

See accompanying independent auditor's report.

<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ 61,643	\$ 61,643
<u>--</u>	<u>262,646</u>
<u>\$ 61,643</u>	<u>\$ 324,289</u>

CITY OF TAMA, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
NON-MAJOR PROPRIETARY FUNDS

As of and for the year ended June 30, 2020

	<u>Enterprise</u>	
	<u>Water Meter</u>	<u>Water Revenue Bond</u>
Receipts:		
Charges for service	\$       --	\$       --
Total operating receipts	--	--
Non-operating receipts (disbursements):		
Interest on investments	--	--
Debt service	--	(     52,437)
Total non-operating receipts (disbursements)	--	(     52,437)
Excess (deficiency) of receipts over (under) disbursements	--	(     52,437)
Transfers in	13,800	53,626
Change in cash balances	13,800	1,189
Cash balance beginning of year	58,650	94,685
Cash balance end of year	<u>\$     72,450</u>	<u>\$     95,874</u>
Cash Basis Fund Balances		
Restricted for debt service	\$       --	\$     95,874
Unrestricted	<u>72,450</u>	<u>    --</u>
Total cash basis fund balances	<u>\$     72,450</u>	<u>\$     95,874</u>

See accompanying independent auditor's report.

Enterprise			
<u>Sewer Rehabilitation</u>	<u>Sewer Revenue Bond</u>	<u>Storm Water</u>	<u>Total</u>
\$ --	\$ --	\$ 46,376	\$ 46,376
--	--	46,376	46,376
--	--	170	170
--	( 56,080)	--	( 108,517)
--	( 56,080)	170	( 108,347)
--	( 56,080)	46,546	( 61,971)
25,000	57,965	--	150,391
25,000	1,885	46,546	88,420
133,193	7,487	3	294,018
<u>\$ 158,193</u>	<u>\$ 9,372</u>	<u>\$ 46,549</u>	<u>\$ 382,438</u>
\$ --	\$ 9,372	\$ --	\$ 105,246
158,193	--	46,549	277,192
<u>\$ 158,193</u>	<u>\$ 9,372</u>	<u>\$ 46,549</u>	<u>\$ 382,438</u>

CITY OF TAMA, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year ended June 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Note:			
Refunding Bond Series 2012	July 1, 2012	0.70% - 2.50%	\$ 975,000
Fire Truck Loan	December 1, 2014	2.70%	275,000
Corporate Purpose and Refunding Bonds Series 2017	September 7, 2017	2.59%	1,910,000
Total			
Revenue Bonds:			
Water	December 9, 2009	3.00%	836,000
Sewer	October 23, 2015	1.75%	1,037,000
Total			

See accompanying independent auditor's report.



<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 500,000	\$ --	\$ 100,000	\$ 400,000	\$ 10,350
158,757	--	30,073	128,684	4,298
<u>1,560,000</u>	<u>--</u>	<u>225,000</u>	<u>1,335,000</u>	<u>40,355</u>
<u>\$ 2,218,757</u>	<u>\$ --</u>	<u>\$ 355,073</u>	<u>\$ 1,863,684</u>	<u>\$ 55,003</u>
\$ 475,000	\$ --	\$ 37,000	\$ 438,000	\$ 14,250
754,000	--	41,000	713,000	13,195
<u>\$ 1,229,000</u>	<u>\$ --</u>	<u>\$ 78,000</u>	<u>\$ 1,151,000</u>	<u>\$ 27,445</u>

CITY OF TAMA, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2020

General Obligation Bonds and Note								
Year ending June 30,	Refunding Bond Series 2012		Fire Truck Loan		Corporate Purpose and Refunding Bond Series 2017		Total	
	Issued July 1, 2012		Issued December 1, 2014		Issued September 7, 2017			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2021	1.85%	\$ 100,000	2.70%	\$ 30,897	2.59%	\$ 235,000	\$ 365,897	
2022	2.10%	100,000	2.70%	31,732	2.59%	100,000	231,732	
2023	2.30%	100,000	2.70%	32,588	2.59%	100,000	232,588	
2024	2.50%	100,000	2.70%	33,467	2.59%	100,000	233,467	
2025		--		--	2.59%	100,000	100,000	
2026		--		--	2.59%	100,000	100,000	
2027		--		--	2.59%	100,000	100,000	
2028		--		--	2.59%	100,000	100,000	
2029		--		--	2.59%	100,000	100,000	
2030		--		--	2.59%	100,000	100,000	
2031		--		--	2.59%	100,000	100,000	
2032		--		--	2.59%	100,000	100,000	
2033		--		--		--	--	
2034		--		--		--	--	
2035		--		--		--	--	
		<u>\$ 400,000</u>		<u>\$ 128,684</u>		<u>\$1,335,000</u>	<u>\$1,863,684</u>	

See accompanying independent auditor's report.

Revenue Bonds					
Water Revenue Bonds		Sewer Revenue Bonds			
Issued		Issued			
December 9, 2009		October 23, 2015			
Interest Rates	Amount	Interest Rates	Amount	Total	
3.00%	\$ 38,000	1.75%	\$ 41,000	\$	79,000
3.00%	39,000	1.75%	42,000		81,000
3.00%	40,000	1.75%	43,000		83,000
3.00%	42,000	1.75%	44,000		86,000
3.00%	43,000	1.75%	45,000		88,000
3.00%	44,000	1.75%	46,000		90,000
3.00%	46,000	1.75%	47,000		93,000
3.00%	47,000	1.75%	47,000		94,000
3.00%	49,000	1.75%	48,000		97,000
3.00%	50,000	1.75%	49,000		99,000
	--	1.75%	50,000		50,000
	--	1.75%	51,000		51,000
	--	1.75%	52,000		52,000
	--	1.75%	53,000		53,000
	--	1.75%	55,000		55,000
	<u>\$ 438,000</u>		<u>\$ 713,000</u>	<u>\$</u>	<u>1,151,000</u>

CITY OF TAMA, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
For the Last Ten Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Receipts:				
Property tax	\$ 1,068,123	\$ 1,174,172	\$ 1,112,113	\$ 1,066,283
Tax increment financing	172,763	186,034	203,626	186,813
Other city tax	240,661	213,718	170,766	231,653
Licenses and permits	59,756	18,137	20,032	20,796
Use of money and property	67,485	57,523	57,624	45,388
Intergovernmental	711,134	722,504	1,364,211	633,104
Charges for service	330,012	323,807	352,903	331,957
Special assessments	--	--	7,505	16,177
Miscellaneous	<u>217,803</u>	<u>257,197</u>	<u>196,389</u>	<u>210,827</u>
Total	<u>\$ 2,867,737</u>	<u>\$ 2,953,092</u>	<u>\$ 3,485,169</u>	<u>\$ 2,742,998</u>
Disbursements:				
Operating:				
Public safety	\$ 1,069,824	\$ 1,093,325	\$ 808,711	\$ 755,107
Public works	614,906	566,590	546,052	610,528
Health and social services	4,898	8,437	4,092	4,650
Culture and recreation	307,771	301,716	297,076	267,635
Community and economic development	297,794	304,162	218,879	302,446
General government	170,874	186,922	195,544	185,423
Debt service	410,578	417,701	810,696	286,846
Capital projects	<u>170,408</u>	<u>253,331</u>	<u>2,109,319</u>	<u>214,382</u>
Total	<u>\$ 3,047,053</u>	<u>\$ 3,132,184</u>	<u>\$ 4,990,369</u>	<u>\$ 2,627,017</u>

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,094,895	\$ 1,053,390	\$ 967,750	\$ 891,756	\$ 851,460	\$ 810,706
7,807	14,996	6,019	240	9,800	--
238,812	207,539	210,636	238,469	178,776	192,340
24,710	22,905	23,670	19,993	21,399	22,470
20,092	19,859	27,902	34,758	40,330	76,727
604,416	652,834	471,926	730,294	393,496	747,994
339,317	363,675	311,556	340,821	343,635	278,591
13,346	12,378	9,856	19,616	--	--
<u>147,642</u>	<u>165,295</u>	<u>143,842</u>	<u>151,271</u>	<u>135,543</u>	<u>150,832</u>
<u>\$ 2,491,037</u>	<u>\$ 2,512,871</u>	<u>\$ 2,173,157</u>	<u>\$ 2,427,218</u>	<u>\$ 1,974,439</u>	<u>\$ 2,279,660</u>
\$ 886,504	\$ 782,734	\$ 830,619	\$ 826,533	\$ 710,605	\$ 661,424
628,653	522,113	529,197	567,921	557,856	446,472
5,231	4,008	4,060	1,771	5,155	8,013
294,478	249,707	270,807	288,261	285,554	233,054
285,287	120,671	111,638	532,168	57,421	34,246
167,929	157,355	165,055	167,560	156,333	149,633
284,351	237,804	256,801	1,232,405	255,354	256,101
<u>21,305</u>	<u>556,140</u>	<u>88,137</u>	<u>58,682</u>	<u>475,411</u>	<u>222,939</u>
<u>\$ 2,573,738</u>	<u>\$ 2,630,532</u>	<u>\$ 2,256,314</u>	<u>\$ 3,675,301</u>	<u>\$ 2,503,689</u>	<u>\$ 2,011,882</u>

CITY OF TAMA, IOWA  
 SCHEDULE OF SEWER SERVICE CHARGES  
 Year ended June 30, 2020

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$11.95	\$11.95
Volume charge:	\$5.52/1,000 gallons	\$5.52/1,000 gallons
Surcharge for concentration levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

\* Biochemical oxygen demand

See accompanying independent auditor's report.

CITY OF TAMA, IOWA  
SCHEDULE OF INSURANCE IN FORCE  
Year ended June 30, 2020

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Bitco Insurance	WC3690742	Workers' Compensation Employer's Liability
Commercial Lines	PEP 2979305-29 PEP 2979305-29 PEP 2979305-29 PEP 2979305-29	Commercial property Auto Fidelity Bond Commercial Inland Marine and scheduled property
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability

See accompanying independent auditor's report.

<u>Policy Period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/20 to 4/1/21	Worker's Compensation All Employees	Statutory \$500,000/Accident \$500,000/Employee \$500,000/Policy Limit
4/1/20 to 4/1/21	Property Damage	\$11,161,900 Policy Limit
4/1/20 to 4/1/21	Auto Liability	\$1,000,000 Liability
4/1/20 to 4/1/21	Employee Performance	\$250,000 Policy Limit
4/1/20 to 4/1/21	Non Real Estate Property	\$504,588/Occurrence
4/1/20 to 4/1/21	General Liability	\$2,000,000
	Officials Liability	\$2,000,000
	Law Enforcement Liability	\$2,000,000



CITY OF TAMA, IOWA  
SCHEDULE OF LEGAL DEBT MARGIN  
June 30, 2020

Valuation of City as of January 1, 2018	\$ 109,056,969
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	5,452,848
General obligation indebtedness outstanding as of June 30, 2020	<u>1,863,684</u>
Legal Debt Margin	<u>\$ 3,589,164</u>

See accompanying independent auditor's report.

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369  
ATLANTIC, IOWA 50022-0369  
(712) 243-1800  
FAX (712) 243-1265  
CPA@GBKCO.COM

MARK D. KYHNN  
KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Tama's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: I-A-20

To the Honorable Mayor and  
Members of the City Council

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matter which is described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## Responses to Findings

The City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City of Tama's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Comwell, Ben, Lyman & Co. P. I.

Atlantic, Iowa  
November 20, 2020

CITY OF TAMA, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2020

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue to review and monitor ways to improve segregation of duties.

Conclusion: Response accepted.

\* \* \*

CITY OF TAMA, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2020

PART II: Other Findings Related to Required Statutory Reporting

- II-A-20 Certified Budget: Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- II-B-20 Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-20 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- II-D-20 Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Larry Thomas, City Council Member, Owner of Thomas Company	Repair and maintenance	\$ 2,068

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the City Council Member does not appear to represent a conflict of interest since the total transaction was less than \$6,000 during the fiscal year.

- II-E-20 Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-20 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- II-G-20 City Council Minutes: No transactions were found that we believe should have been approved in the City Council minutes but were not.
- II-H-20 Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.
- II-I-20 Revenue Bonds: No instances of non-compliance with revenue bond resolutions were noted.
- II-J-20 Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

CITY OF TAMA, IOWA

Schedule of Findings and Responses

Year ended June 30, 2020

PART II: Other Findings Related to Required Statutory Reporting - Continued

II-K-20 Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.

II-L-20 Economic Development: During the year ended June 30, 2020, the City paid \$5,754 to Tama County Economic Development, a chamber of commerce type organization. The City Council has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Council should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

\* \* \*